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May 16, 2006

Regent Gerald L. Parsky
Chairman of The Regents
University of California
1111 Franklin Street, 12th floor
Oakland, CA 94607

Dear Regent Parsky:

At your request, we have annotated Attachment 3, which was originally issued in our report of Findings and Observations dated April 21, 2006 in conjunction with our examination of compensation and other employment arrangements of selected University of California employees as presented in the Schedule of Employee Compensation and Schedule of Other Employment Arrangements (collectively the "Schedules") for the period January 1, 1996 through December 31, 2005. The annotated Attachment 3 ("Attachment 3 Annotated") includes the names of individuals identified as approving benefits which were exceptions to University policy or standard practices and were not approved by The Regents. The names of the individuals who approved the benefits listed on Attachment 3 Annotated were determined based upon the signatures or other written evidence of approval on University documents. Documentation considered in determining the approver included offer letters, memoranda, payment authorization forms, emails and other correspondence. In some instances, written evidence of approval of the compensation item was not available or not required. Attachment 3 Annotated has been confirmed with a representative of the University's Office of General Counsel

This document is intended for use by The Regents of the University of California and management of the University and has been completed in the context of our examination of compensation and other employment arrangements of selected University of California employees as presented in the Schedules taken as a whole. The matters raised in this report are only those that have come to our attention that we believe need to be brought to you. They are not a complete listing of every potential matter arising from our procedures and we cannot be responsible for reporting all risks in your business nor internal control weaknesses. This report should not be quoted in whole or in part without PricewaterhouseCoopers' prior written consent. No responsibility for any third party is accepted as the report has not been prepared for, nor is intended for, any other purpose.

We look forward to discussing these matters with you.

PricewaterhouseCoopers LLP

Attachment 3 Annotated
Exceptions to University Policies or Standard Practices
Not Approved by The Regents

Name	Compensation Item	Issue	Individual Identified as Approving Benefit
Robert Berdahl	Senior Management Severance Pay Plan	Employee participated in SMSPP while holding a dual academic appointment.	V. Wayne Kennedy
	Base Salary	Waiver of the requirement to return to active University service for a period equal to the leave after the sabbatical was completed and a waiver of the obligation to refund the salary received for the period of a regular sabbatical leave.	Robert Birgeneau
	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
	Home Loan Programs	Concurrently had a home loan and University-provided housing. Home loan granted six months prior to the end of his appointment as Chancellor.	No Approval Required for Eligible Employees
	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
Robert Birgeneau	Sabbatical Benefits	University agreed to honor sabbatical credits earned at a former employer.	Joseph Mullinix
	Senior Management Severance Pay Plan	Employee participated in SMSPP while holding a dual academic appointment.	Joseph Mullinix [1]
	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
	Specialized Health Benefits	Accelerated vesting arrangement for retirement health and dental coverage. The agreement states that should employee retire within four months following the date on which he completes five years of service, employee will be eligible to receive 50% of the University contribution; if employee completes ten years of University service, employee will be eligible to receive 100% of the University's contribution to the University-sponsored medical and dental coverage.	Joseph Mullinix
J Michael Bishop	Honoraria	Received honoraria from the University, which did not relate to teaching University extension courses.	Thomas Kline / Heather Palermo
	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
Albert Carnesale	Senior Management Severance Pay Plan	Employee participated in SMSPP while holding a dual academic appointment.	V. Wayne Kennedy
	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval

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Name	Compensation Item	Issue	Individual Identified as Approving Benefit
Marsha Chandler	Supplemental Vacation	Restoration of vacation days.	Robert Dynes
	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
	Additional Salary	Stipend while on sabbatical.	M.R.C. Greenwood
	Automobile Allowance	Automobile allowance paid while the employee held a senior management position in an acting capacity and on sabbatical.	No Written Evidence of Approval
Martin Chemers	Automobile Allowance	Automobile allowance paid while the employee held a senior management position in an acting capacity.	No Written Evidence of Approval
	Base Salary	Base salary included stipend while on sabbatical.	M.R.C. Greenwood / Robert Dynes
France Cordova	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
	Senior Management Severance Pay Plan	Employee participated in SMSPP while holding a dual academic appointment.	Gary Schlimgen
Haile Debas	University-Provided Housing	Elected not to occupy the University-provided house.	No Written Evidence of Approval
Denice Denton	Bonuses, Incentives, Awards and By Agreement Payments	Pay for work performed prior to employment in a Selected Position (grossed up for tax purposes).	Robert Dynes
	Other Non-Cash Fringe Benefits	Personal improvements to a University-provided house.	Robert Dynes [2]
	Supplemental Vacation	Vacation accrued at 24 days per year.	Robert Dynes
	Sabbatical Benefits	University agreed to honor sabbatical credits earned at a former employer.	Robert Dynes
	Senior Management Severance Pay Plan	Employee participated in SMSPP while holding a dual academic appointment.	Robert Dynes
	Specialized Health Benefits	Accelerated vesting arrangement for retirement health coverage. The employee is eligible to continue University programs into retirement with 100 percent of the University contribution after employee completes 10 years of service as Chancellor or as a faculty member.	Robert Dynes

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Name	Compensation Item	Issue	Individual Identified as Approving Benefit
Michael Drake	Senior Management Severance Pay Plan	Employee participated in SMSPP while holding a dual academic appointment.	Richard Atkinson
Marye Anne Fox	Bonuses, Incentives, Awards and By Agreement Payments	Bonus to compensate for sabbatical benefits earned at former employer.	Robert Dynes [3]
	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
	Bonuses, Incentives, Awards and By Agreement Payments	Paid for work performed prior to employment in a Selected Position (grossed up for tax purposes).	Robert Dynes
Joseph Martin	Honoraria	Received honoraria from the University, which did not related to teaching University extension courses.	Steven Hauser
	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
	Home Loan Programs	Concurrently had a home loan and University-provided housing. Home loan was granted prior to appointment as Chancellor and was paid-off during tenure as Chancellor.	No Approval Required for Eligible Employees
Carol Tomlinson-Keasey	Life Insurance	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
Charles Young	Home Loan Programs	Home loan was granted while the employee was receiving temporary housing allowance in lieu of University-provided housing (grossed up for tax purposes).	No Approval Required for Eligible Employees
Karl Pister	Honoraria	Received honoraria from the University, which did not relate to teaching University extension courses.	B. J. Gerber
	Automobile Allowance	Automobile allowance paid for a period of time during post-separation employment.	No Written Evidence of Approval
John Browne	Travel Insurance	Los Alamos National Laboratory provides separate travel insurance in the amount of \$100,000 while the University has committed to provide coverage in the amount of \$250,000.	No Written Evidence of Approval

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Name	Compensation Item	Issue	Individual Identified as Approving Benefit
Steven Chu	Honoraria	Received honoraria from the University, which did not relate to teaching University extension courses.	Barbara Horwitz
	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
	Moving Expenses	Compensation to gross up payments for tax purposes.	Joseph Mullinix
	Sabbatical Benefits	University agreed to honor sabbatical credits earned at a former employer.	Joseph Mullinix
	Senior Management Severance Pay Plan	Employee participated in SMSPP while holding a dual academic appointment.	No Written Evidence of Approval
Robert Kuckuck	Other Non-Cash Fringe Benefits	University paid for spouse travel for other non-business purposes omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
	Travel Insurance	Los Alamos National Laboratory provides separate travel insurance in the amount of \$100,000 while the University has committed to provide coverage in the amount of \$250,000.	Susan Mathews
George Nanos	Separation Arrangements	Arrangement for continued employment by the University for up to two years and four months after this resignation as Director of Los Alamos National Laboratory and an agreement to reimburse up to \$200,000 on the loss of the sale of his home.	S. Robert Foley
	Bonuses, Incentives, Awards and By Agreement Payments	Signing bonus.	No Written Evidence of Approval
	Automobile Allowance	Automobile allowance paid for a period of time during post-separation employment.	No Written Evidence of Approval
	Travel Insurance	Los Alamos National Laboratory provides separate travel insurance in the amount of \$100,000 while the University has committed to provide coverage in the amount of \$250,000.	Susan Mathews
	Relocation Allowance	Relocation allowance granted to reimburse for removal expenses.	John D. Immele

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Name	Compensation Item	Issue	Individual Identified as Approving Benefit
Charles Shank	Automobile Allowance	Automobile allowance paid during sabbatical.	No Written Evidence of Approval
	Base Salary	Employee did not return to active University service for a period equal to the leave after the sabbatical was completed and did not comply with the obligation to refund the salary received for the period of a regular sabbatical leave.	Not Applicable [4]
David Callender	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days.	Judy Palmquist
	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
Robert Chason	Additional Salary	Stipend granted in excess of 15% of base salary.	Richard Atkinson
Sumiyo Kastelic	Automobile Allowance	Automobile allowance paid while the employee held a senior management position in an acting capacity.	No Written Evidence of Approval
	Senior Management Severance Pay Plan	Reduced monthly contributions to the Senior Management Severance Pay Plan.	No Written Evidence of Approval
Mark Laret	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days and omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	John Stone
	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
Richard Liekweg	Separation Arrangements	Arrangement for up to twelve months base salary if terminated within the initial 60 months of his employment contract.	Edward Holmes
	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days. Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Edward Holmes
Frank Loge	Supplemental Retirement	An additional temporary annuity of \$47.08 per month was paid as a result of an administrative error and was discontinued in June 1999.	Not Applicable

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William Kerr	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
Marie Berggren	Supplemental Vacation	Vacation accrued at 25 days per year plus one personal day.	No Written Evidence of Approval
James Holst	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
David Russ	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days.	Joseph Mullinix
Richard Atkinson	Base Salary	Received leave with pay for three months while on-call under the title of Former President.	Robert Dynes
William Baker	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
Bruce Darling	Other Non-Cash Fringe Benefits	Personal travel paid by the University and omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
Winston Doby	Home Loan Programs	Simultaneously received a temporary housing allowance and MOP and SHLP loans.	No Approval Required for Eligible Employees
	Other Non-Cash Fringe Benefits	Personal travel paid by the University and omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days (grossed up for tax purposes).	Joseph Mullinix and C. Judson King
Robert Dynes	Other Non-Cash Fringe Benefits	Spouse continued to reside in University-provided Chancellor's house after employee moved into University-provided President's house. Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable

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Name	Compensation Item	Issue	Individual Identified as Approving Benefit
W. R. Gomes	Leased Automobile	Omitted in one or more years from the employee's Form W-2 for tax reporting purposes.	Not Applicable
Manuel Gomez	Additional Salary	Stipend granted in excess of 15% of base salary.	Richard Atkinson
	Automobile Allowance	Automobile allowance paid while the employee held a senior management position in an acting capacity.	Richard Atkinson
M.R.C. Greenwood	Relocation Allowance	Relocation allowance in excess of the maximum recruitment allowance.	Robert Dynes
	Home Loan Programs	Concurrently had a home loan and University-provided housing. Home loan was granted prior to appointment as Chancellor and was paid-off during tenure as Chancellor.	No Approval Required for Eligible Employees
	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days.	Robert Dynes
Wyatt Hume	Supplemental Vacation	Vacation accrued at 24 days per year.	M.R.C. Greenwood
	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days.	M.R.C. Greenwood
John McTague	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
Joseph Mullinix	Supplemental Vacation	Vacation accrued at 24 days per year.	No Written Evidence of Approval
Alex Saragoza	Severance Pay	Payment for two months salary as severance pay.	Joseph Mullinix
	Bonuses, Incentives, Awards and By Agreement Payments	Pay for work performed prior to employment in a Selected Position.	Patty Owen

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Name	Compensation Item	Issue	Individual Identified as Approving Benefit
Celeste Rose	Specialized Health Benefits	Continuation of health benefits while employed by another entity.	Richard Atkinson
	Temporary Housing Allowance	Temporary housing allowance received in excess of 30 days.	Larry Vanderhoef
	Separation Arrangements	Agreement to cease working for the University as Vice Chancellor of University Relations effective June 30, 2005 and assume the role of Senior Advisor to the Chancellor with duties to be mutually-agreed upon by the Chancellor and Celeste Rose, for the period of July 1, 2005 through June 30, 2007.	Steven Drown
	Severance Pay	Payment of transition expenses including employment placement services.	Steven Drown

- [1] Robert Birgeneau: Per offer letter, President Dynes was to approve an exception to participate in SMSPP, however no evidence of approval was found in the personnel file.
- [2] Denice Denton: In the offer letter, President Dynes, "authorized the funding to carry out the list of improvements [Dr. Denton] requested." The improvements included an, "upgrade[d] fence around entire property to keep dogs in." No evidence of approval for actual cost of the capital improvements was found in the personnel file.
- [3] Marye Anne Fox: In the offer letter dated June 8, 2004, President Dynes wrote that he, "Approved funds to honor the sabbatical leave earned but not yet taken." On April 27, 2005, in a letter to Anne Broome, Margaret Pryatel enclosed a spreadsheet outlining various components of Dr. Fox's employment including the amounts and source of funding. The spreadsheet stated that the source of funding for the sabbatical leave of \$350,000 and vacation time of \$5,598 should come from UCOP. In a letter from Larry Hershman, dated July 15, 2005, he stated, "historically we have not provided funds to a campus for these related expenses as described in the attachment to your April 27, 2005 letter." He continued by saying, "I propose no additional funds to your campus which is consistent with past chancellorial recruitments." On September 1, 2005, in a letter to Margaret Pryatel and Maureen Kearns-Bartel, Clare Kristofco referred to the June 8, 2004 letter to say that President Dynes "approved funds to honor the sabbatical" and that "Chancellor Fox has opted to accept the payment of the sabbatical leave based on the final annual base salary at NC State of \$248,000." The sabbatical was paid out in September 2005. No additional evidence of approval was provided by the University.
- [4] Charles Shank: Wyatt Hume, Acting Provost and Senior Vice President, wrote to Dr. Shank on April 19, 2006 stating that the University expects Dr. Shank to "either return to the UCB faculty for one year of service or repay the University the amounts paid to [him] while on sabbatical." Subsequent to our report dated April 21, 2006, in a letter dated May 1, 2006, Dr. Shank stated that he "will report to duty as a member of the faculty at UC Berkeley in the coming fall semester."